AR23

KEEVIL MINING GROUP

TECK CORPORATION LIMITED

SUITE 4900
P.O. BOX No. 49

TORONTO-DOMINION CENTRE
TORONTO 1, CANADA

TEL: 416-362-1571
TELEX: 02-29087

N. B. KEEVIL, *President*

To each shareholder:

February 12, 1970

Re: White Paper on Tax "Reform"

Taken as a whole, the proposals of the White Paper would cause serious damage to the growth of the Canadian economy.

—The natural resources industry will be particularly hard hit by increased taxation and, representing as it does 40% of Canada's export trade, this should be a matter of real concern for all Canadians.

—Increased taxation of most middle income Canadians and an excessive capital gains tax will reduce initiative, and penalize people already heavily taxed.

—Shareholders of mining and petroleum companies will be discriminated against under the proposed rules relating to dividend taxation, compounding financing problems in this capital-oriented industry.

If you are concerned, as we believe you should be, then *we urge you to write a personal letter to your Member of Parliament*, in which case the comments in the annual report and enclosed memorandum may be of some assistance. If you are unable to write, then detach the form below and mail it to your member. No stamp is required.

Yours very truly

President

.....

Member of Parliament
House of Commons
Ottawa

Dear.....

Re: The White Paper on Tax Reform

As one of your constituents and a Canadian taxpayer, I would like to register my protest against the proposed increase in taxation of middle income Canadians and the natural resources industry.

Yours truly,

.....

MEMORANDUM

Re: White Paper on Tax "Reform"

Canada's new tax legislation, once enacted, will be with us for decades. Through its incentives and disincentives, it will shape the future of the country. Each citizen and investor should take the opportunity to criticize the White Paper proposals now to ensure that this future is one of progress—one of continued growth rather than stagnation. The time to comment is now, not after the fact.

Your company is submitting a brief regarding matters which affect Canadian corporations, particularly in the extractive industries. Each of your directors also has undertaken to write as an individual, expressing his concern with those areas of the Paper which appear damaging to the future economic growth of Canada.

The extractive industries will be hardest hit, with the proposal that the credit for depletion of mining and petroleum reserves be eliminated and with the proposed phase-out of the three-year tax holiday for mining. The implication in the Paper is that these are "loopholes" which should be closed, and that these industries have received untoward benefits in the past.

This is a widely-held misconception. In fact, when we compare Canada's tax system with that of comparable countries, we find that our *existing* system is already more onerous than that in the United States or Ireland, and about the same as Australia. We are indebted to Noranda for the following comparison of actual taxes paid by Gaspe Copper, and what it would have paid if it had been in any of those countries, or in *Whitepaperland*.

1956 through 1968	Actual	***New Proposals***	U.S.	Australia	Ireland
Profits before taxes (millions)	$95.9	**$95.9**	$95.9	$95.9	$95.9
Taxes on income	28.4	**40.3**	24.8	28.9	—
Net profit	$67.5	**$55.6**	$71.1	$67.0	$95.9
Effective tax rate	29%	**42%**	26%	30%	—
1968 only					
Profits before taxes	$17.2	**$17.2**	$17.2	$17.2	$17.2
Taxes on income	7.4	**9.5**	5.6	6.2	—
Net profit	$ 9.8	**$ 7.7**	$11.6	$11.0	$17.2
Effective tax rate	43%	**55%**	32%	36%	—

The reasons for tax incentives for mining in all countries other than Whitepaperland are clear. The initial risk is higher than for most other industries, capital requirements are often greater, there is often the need to construct townsites, roads, power facilities, etc., and it is necessary to re-invest a large portion of income in risk exploration to replace depleting ore reserves.

Under the proposals, mining and petroleum companies will pay taxes at a higher rate than all other companies, when provincial taxes and royalties are included. Any initial increase in revenue to the tax collector may be short-lived. If the disincentive of a 30 to 50% increase in taxation diverts investments away from Canadian natural resource industries, the result may actually be a reduction in revenue.

The chart on page 20 of the annual report shows the impressive growth of the industry over the last two decades. In 1968, metal and mineral products made up 40% of Canada's total exports. Equally as

important the industry provides support for an estimated 600,000 Canadians directly, and for many more through ancillary businesses. Clearly this has had a major impact on Canada's growing prosperity over that period. Equally clearly, the White Paper proposals must be modified drastically if this trend is to continue. *We believe that the most sensible compromise would be to retain the depletion credit as it is and to modify the tax-free period so that it would apply to either the period of capital reimbursement or three years, whichever is shorter.*

In addition to direct tax increases, the White Paper proposes other changes which will affect the industry. Shareholders of all Canadian corporations will be able to deduct tax paid by the company in computing the taxability of their dividends. For mining companies, the Paper proposes a weak set of exploration incentives mis-named "depletion allowance"; however, the incentive will be lost to the shareholder, *who will pay excess tax on his dividends to offset the so-called incentive to the company.* This anomalous situation could create difficulties in financing mining and petroleum enterprises.

The proposal to tax inter-corporate dividends will have a heavy impact on the mining industry, which historically has built up new mines through subsidiaries or associated companies. If the proposals are not adjusted, there will have to be extensive re-organization of many of Canada's most important mining groups. There may be a trend towards joint ventures instead of companies to develop new deposits. The mind boggles at the difficulties of financing and administering these, and at the potential effect on minority shareholders, no longer protected by The Corporations Act and securities commissions. *This administrative jungle could be avoided at little cost if the existing tax-free pass-through of dividends was retained.*

We disapprove entirely of the proposed removal of incentives to prospectors. It has been estimated that 75% of Canadian mineral discoveries have been made by prospectors, including individuals and small companies. Many deposits being developed today were discovered by prospectors years ago, so that we are now living off their efforts. There is already concern in the industry that there are today too few prospectors, and that the discoveries which would become the new mines of the late 1970's are not being made. *Recognizing this, we suggest that prospectors continue to be allowed freedom from tax on profits resulting from their discovering and vending of mineral properties. Canada would gain through this inexpensive incentive.*

There are many other areas of concern which bear on the Canadian economy in general, and not just on the natural resource sector. A capital gains tax may be politically inevitable, but the rate proposed is too high. Combined income and capital gains taxes for the middle and upper classes would be in excess of those in the United States and could contribute to a draining-off of some of the most productive members of our society. A case could be made for just the opposite: to lower taxes below those in effect elsewhere; this would draw productive people, the entrepreneurial and the wealthy, to Canada, and provide increased funds for welfare by raising the Gross National Product. *Canada would gain more by becoming a "tax haven" than by becoming a "commune".*

The proposed revaluation of capital gains every five years is preposterous, being not only a tax on wealth but a spur to sale of control of Canadian corporations to foreigners or to government-run crown corporations. We might recognize that capital gains from assets held over five years reflect assets at work. A more sensible system, and one less cumbersome to administer would be to tax as income only short term gains which would include all "adventures in the nature of a trade", and cover the majority of trades, purchases and sales, used to augment monthly income; but *treat as non-taxable gains on investments held for more than five years.*

Illusory gains due to inflation should be untaxed, whether on shares, homes, or antiques. Some in the government have accepted this as equitable, but have asked "what of the pensioners on fixed income?" The problem of pensioners deserves its own solution, rather than extension to all.

The objectives of the White Paper were stated to be an "equitable" system, consistent with sound growth and prosperity. We would leave the elusive definition of "equity" to those better qualified—but as to sound growth and prosperity?

TECK CORPORATION LIMITED

Dr. N. B. Keevil Jr., 362-1571

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24 July 1968
FOR IMMEDIATE RELEASE

TECK CORPORATION LIMITED

Teck Corporation, a Canadian natural resources conglomerate producing oil, gas and gold, and with investment interests in copper and zinc, advises that it holds a 25% working interest in 70,000 permit acres in the MacKenzie Delta region of the Arctic Coastal Plain. The acreage overlaps the Arctic coast and is located just west of the Yukon - Northwest Territories boundary in a geological setting similar to that on the north coast of Alaska where Atlantic - Richfield recently announced a very significant oil discovery.

The Atlantic - Richfield well has indicated that the Arctic Coastal Plain, already known to contain a thick sedimentary sequence, could be a major petroliferous basin. This has spurred interest in the Canadian side of the area and a number of major companies are accelerating their exploration programmes to include exploratory drilling during the coming year. The 70,000 permit acres in which Teck holds an interest are strategically located in the heart of a large block held by the Imperial Oil Company.

Teck also holds acreage in the Iverson Lake - English Chief River area, NWT, a few miles southwest of Wrigley on the MacKenzie River. Agreement has been reached to have an exploratory well drilled by farmout on this block late in 1968. Other areas in the Territories where Teck has acreage interests are Trout Lake - Celebita, well known as a potentially favourable district for the occurrence of gas, and Great Slave Lake where exploration for oil and gas is being conducted by Teck and partners, and by other oil companies.

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Is this of any interest to you.

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FOR IMMEDIATE RELEASE 23 October 1968

On October 8, 1968 Teck Corporation Limited filed on 17 Federal permits totalling 1,021,424 acres in the Hudson Bay area. Separate filings by Kestrel Exploration Limited on behalf of Canadian Homestead, Dr. F. R. Joubin and an undisclosed party covered another 4 million acres which will be pooled with the Teck permits for exploration purposes. Each of the four participants will share in the 5 million acre block in a percentage approximately proportionate to acreage contribution, with the interests being Teck Corporation 20%, Canadian Homestead 20%, Dr. Joubin 20%, undisclosed 40%.

A portion of the permit acreage is located on shore on islands in the northern end of the bay. The greater portion of the offshore balance is favourably located at water depths of less than 150 feet.

Teck Corporation also holds a 5% interest in an additional 6.5 million acre block in the Hudson Bay Lowlands, operated by Aquitaine and comprising 3.954 million acres of Federal permits in the offshore bay, 986,560 acres in Ontario licence and 1.538 million acres in Manitoba permits. It was on this block, on the Manitoba shore of the bay, that the Kaskatama stratigraphic test well was drilled in 1966-67. Encouraging results obtained in the stratigraphic test prompted an extensive land and joint marine seismic program by the Hudson Bay permittees in 1967-68, and created interest which led to further

acquisitions of permit holdings in the bay by the original group, and by newcomer companies in the land rush which followed the Prudhoe Bay discovery in Alaska.

Teck also holds a 25% interest in approximately 70,000 permit acres in the MacKenzie Delta area close to the Yukon - Northwest Territories boundary and located partly on shore and partly off shore.

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For further information:

Dr. N. B. Keevil Jr. 362-1571

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July 7, 1969

To the Shareholders of Silverfields Mining Corporation Limited:

We are pleased to present to you an offer to purchase your shares in Silverfields in exchange for shares in Teck, on the basis of one share of Class "B" common stock of Teck Corporation Limited for each 2½ common shares of Silverfields. The formal offer is for a minimum of 500,000 common shares of your company, but Teck will accept any additional shares tendered on the same basis of exchange. It expires on July 29, 1969.

The shares presently listed on The Toronto Stock Exchange, the Canadian Stock Exchange and The Vancouver Stock Exchange have been reclassified as Class "A". The shares are identical in all respects, including dividends, except that the "A" shares carry 100 votes per share and the "B" have 1 vote each. Both participate equally in the growth of the Teck organization. Teck increased its authorized capital and created the new shares as part of a programme of planned expansion.

Silverfields and Teck have been closely associated throughout the period of successful development and operation of the Silverfields mine. Teck owns 425,200 shares of Silverfields and the two companies are under the same operating management. Further and complete integration is considered desirable.

In the event you are not familiar with Teck Corporation, the enclosed material (including the latest annual report) will give you an indication of the broad base of its present activities. The company has built up extensive interests in the Canadian natural resources field, including production of petroleum and gold and investments in silver, copper and zinc operations.

Teck has paid an annual dividend of 30¢ per share since its consolidation with associated companies in 1963. On the basis of the offer being made to you, this would be equivalent to 12¢ per annum per Silverfields share.

The closing market price of shares of Teck Corporation on June 30, 1969 (the last trading day preceding announcement of this offer) was $8.60 per share. The closing market price of Silverfields on the same day was $2.30 per share.

We believe this proposal offers advantages to the individual Silverfields shareholder. Upon acceptance, you will share directly in the diversification of productive assets and potential of the Teck organization and in its dividend policy, as well as continue to participate in the Silverfields mine through your holdings in Teck.

To indicate acceptance of the formal offer which is enclosed, complete the Letter of Transmittal and return it with your certificates to Guaranty Trust Company, 88 University Avenue, Toronto.

Your very truly,

TECK CORPORATION LIMITED

President

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For release July 8, 1969

Silver Standard Mines and Teck Corporation Limited - Joint Press Release

R. W. Wilson, president of Silver Standard Mines, and Dr. N. B. Keevil, president of Teck Corporation Limited, announce completion of an agreement which will have important benefits for both companies over the next few years.

Under the terms of the agreement Teck Corporation is committed to spend $1,000,000 in the next 2 years exploring and developing mineral properties for the sole benefit of Silver Standard Mines. In each of the following years, 1971 through 1973, Teck at its option may spend $500,000 on Silver Standard's mining projects. As consideration for Teck's exploration programmes, that company will receive shares of Silver Standard stock. First shares received by Teck will be at a price of $2.50 per share, with the remainder to be valued from time to time at normal Vancouver Stock Exchange discounts from the then market price.

Over the 5-year term of the agreement, Teck may also supply substantially greater sums of money directly to the Silver Standard treasury by the exercise of additional stock purchases. In each year that Teck fulfills its exploration commitment, Teck may purchase 400,000 shares of Silver Standard stock. These options are cumulative up to a total of 2,000,000 shares and the cost to Teck in the

case of each takedown will be the then current market price less the allowable discount.

Teck Corporation is a substantial independent Canadian mining and oil company listed on the Vancouver Stock Exchange, the Toronto Stock Exchange, and the Canadian Stock Exchange. Its principal assets include oil and gas holdings in Saskatchewan, Alberta and the Arctic; the Lamaque Gold Mines Limited in Quebec; interests in silver, copper and other base metal mines in Ontario and Quebec; and numerous exploration properties throughout the country. Dr. Keevil reports that Teck is well able to finance internally its projected programme for Silver Standard as well as any other foreseeable investments here.

Silver Standard Mines has long been active as an aggressive exploration company in British Columbia listed on the Vancouver Stock Exchange. Its shareholders are mainly resident of western Canada. Company officials state that the agreement with Teck is intended to give Silver Standard the opportunity to follow through its exploration activities to a much greater extent than was previously possible.

Silver Standard is engaged in numerous exploration and development projects throughout British Columbia, the Yukon Territory and Alaska. Much current interest is occasioned by large-scale drill programmes that are being carried out on 2 promising porphyry copper deposits. Silver Standard and American Smelting and Refining Co. are equal partners at Ox Lake in central British Columbia, where last season their prospectors discovered a new copper-molybdenum

occurrence. Two drills are presently confirming and extending a large area of mineralization of interesting grade. Silver Standard is the principal shareholder of Liard Copper Mines, a private company that holds an important copper-molybdenum deposit in northwestern British Columbia. Hecla Operating Company last year conducted a drill programme that produced encouraging results and Hecla continues to explore and develop the property under the terms of an operating lease.

No change in the management of Silver Standard is envisaged as a result of the Silver Standard - Teck agreement. Eventually Teck is expected to have two representatives on the Silver Standard board of directors. Teck may also participate in some major ventures undertaken by Silver Standard and has been granted a first refusal on future financing.

The combined expertise of the operating staff of both companies together with the financial capacity of Teck are cited by Mr. Wilson as the principal benefits which Silver Standard may derive from the agreement. For their part, Teck officials indicate that the agreement represents the most advantageous way for their company to participate in the expanding British Columbia mining industry.

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